

House Study Bill 530

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
ECONOMIC GROWTH BILL BY
CHAIRPERSON HOFFMAN)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to a targeted jobs withholding tax credit to be
2 used for funding improvements in certain urban renewal areas.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
4 TLSB 5535HC 81
5 mg/je/5

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1 1 Section 1. NEW SECTION. 403.19A WITHHOLDING AGREEMENT ==
1 2 TAX CREDIT.
1 3 1. For purposes of this section, unless the context
1 4 otherwise requires:
1 5 a. "Business" means any commercial, professional services,
1 6 or industrial enterprise, including medical treatment
1 7 facilities, manufacturing facilities, corporate headquarters,
1 8 and research facilities. "Business" does not include a
1 9 business which closes or substantially reduces its operation
1 10 in one area of this state and relocates substantially the same
1 11 operation to another area of this state.
1 12 b. "Employee" means the individual employed in a targeted
1 13 job that is subject to a withholding agreement.
1 14 c. "Employer" means a business creating targeted jobs in
1 15 an urban renewal area of a pilot project city pursuant to a
1 16 withholding agreement.
1 17 d. "Pilot project city" means the largest city in a county
1 18 with a population of at least ninety-five thousand but not
1 19 more than one hundred ten thousand residents or the largest
1 20 city in a county with a population of at least eighty-one
1 21 thousand but not more than eighty-eight thousand five hundred
1 22 residents. The population figures are based upon the 2000
1 23 certified federal census.
1 24 e. "Qualifying investment" means a capital investment in
1 25 real property including the purchase price of land and
1 26 existing buildings, site preparation, building construction,
1 27 and long-term lease costs. "Qualifying investment" also means
1 28 a capital investment in depreciable assets.
1 29 f. "Targeted job" means a job in a business which is or
1 30 will be located in an urban renewal area of a pilot project
1 31 city that pays a wage at least equal to the countywide average
1 32 wage. "Targeted job" does not include jobs that formerly
1 33 existed in the business in this state unless the business is
1 34 considering in good faith to relocate outside this state or
1 35 unless the relocation is related to an expansion which will
2 1 generate significant new job creation.
2 2 g. "Withholding agreement" means the agreement between a
2 3 pilot project city and an employer concerning the targeted
2 4 jobs withholding credit authorized in subsection 2.
2 5 2. a. A pilot project city may provide by ordinance for
2 6 the deposit into a designated account in the special fund
2 7 described in section 403.19, subsection 2, of the targeted
2 8 jobs withholding credit described in this section. The
2 9 targeted jobs withholding credit shall be based upon the wages
2 10 paid to employees pursuant to a withholding agreement.
2 11 b. An amount equal to three percent of the gross wages
2 12 paid by an employer to each employee under a withholding
2 13 agreement shall be credited from the payment made by the
2 14 employer pursuant to section 422.16. If the amount of the
2 15 withholding by the employer is less than three percent of the
2 16 gross wages paid to the employees covered by the withholding
2 17 agreement, the employer shall receive a credit against other
2 18 withholding taxes due by the employer or may carry the credit

2 19 forward for up to ten years or until depleted, whichever is
2 20 the earlier. The employer shall remit the amount of the
2 21 credit quarterly, in the same manner as withholding payments
2 22 are reported to the department of revenue, to the pilot
2 23 project city to be allocated to and when collected paid into a
2 24 designated account in the special fund for the urban renewal
2 25 area in which the targeted jobs are located. All amounts so
2 26 deposited shall be used or pledged by the pilot project city
2 27 for an urban renewal project related to the employer pursuant
2 28 to the withholding agreement.

2 29 c. (1) The pilot project city shall enter into a
2 30 withholding agreement with each employer concerning the
2 31 targeted jobs withholding credit. However, an agreement shall
2 32 not be entered into by a pilot project city with a business
2 33 currently located in this state unless the business either
2 34 creates ten new jobs or makes a qualifying investment of at
2 35 least five hundred thousand dollars within the urban renewal
3 1 area. The withholding agreement may have a term of up to ten
3 2 years. However, the agreement may provide for the extension
3 3 of the agreement for up to an additional ten years or until
3 4 the debt for which the designated account in the special fund
3 5 was established is paid off or is refinanced, or the project
3 6 for which the designated account is established is completed,
3 7 whichever is the earlier. An employer shall not be obligated
3 8 to enter into a withholding agreement.

3 9 (2) The pilot project city shall not enter into a
3 10 withholding agreement after June 30, 2010, except in the case
3 11 of an extension of a previously existing agreement as provided
3 12 in subparagraph (1).

3 13 d. (1) The employer shall certify to the department of
3 14 revenue that the targeted jobs withholding credit is in
3 15 accordance with the withholding agreement and shall provide
3 16 other information the department may require. Notice of any
3 17 withholding agreement shall be provided promptly to the
3 18 department of revenue following its execution by the pilot
3 19 project city and the employer.

3 20 (2) Following termination of the withholding agreement,
3 21 the employer credits shall cease and any money received by the
3 22 pilot project city after termination shall be remitted to the
3 23 treasurer of state to be deposited into the general fund of
3 24 the state. Notice shall be provided promptly to the
3 25 department of revenue following termination.

3 26 e. A pilot project city shall certify to the department of
3 27 revenue the amount of the targeted jobs withholding credit an
3 28 employer has remitted to the city and shall provide other
3 29 information the department may require.

3 30 f. An employee whose wages are subject to a withholding
3 31 agreement shall receive full credit for the amount withheld as
3 32 provided in section 422.16.

3 33 g. An employer may participate in a new jobs credit from
3 34 withholding under section 260E.5 or a supplemental new jobs
3 35 credit from withholding under section 15E.197 or section
4 1 15.331, Code 2005, at the same time as the employer is
4 2 participating in the withholding credit under this section.
4 3 Notwithstanding any other provision in this section, the new
4 4 jobs credit from withholding under section 260E.5 and the
4 5 supplemental new jobs credit from withholding under section
4 6 15E.197 or section 15.331, Code 2005, shall be collected and
4 7 disbursed prior to the withholding credit under this section.

4 8 h. At the time of submitting its budget to the department
4 9 of management, the pilot project city shall submit to the
4 10 department of management and the department of economic
4 11 development a description of the activities involving the use
4 12 of withholding agreements. The description shall include, but
4 13 is not limited to, the following:

4 14 (1) The total number of targeted jobs and a breakdown as
4 15 to those that are Iowa business expansions or retentions and
4 16 those that are jobs resulting from out-of-state businesses
4 17 moving to or expanding in Iowa.

4 18 (2) The number of withholding agreements and the amount of
4 19 withholding credits involved.

4 20 (3) The types of businesses that entered into the
4 21 agreements, and the types of businesses that declined the
4 22 city's proposal to enter into the agreement.

4 23 EXPLANATION

4 24 This bill allows two pilot project cities to assist in
4 25 funding projects in their urban renewal areas by means of a
4 26 targeted jobs credit from withholding. This credit is
4 27 available to businesses that are or will locate in an urban
4 28 renewal area. Businesses already located in the area must
4 29 either create 10 new jobs or make at least \$500,000 in capital

4 30 investment within the area. The credit is 3 percent of the
4 31 amount of gross wages paid to the employees of the targeted
4 32 jobs by the business. The credit is paid to the pilot project
4 33 city to be used to pay for debts incurred or assistance
4 34 provided by the city for urban renewal projects related to the
4 35 business in the urban renewal area. Presently, property tax
5 1 imposed on the increase in value as a result of the business's
5 2 arrival is used to provide such financing. The withholding
5 3 credit is available to each targeted job of the business in
5 4 the area provided the job's wage is equal to at least the
5 5 average county wage. A withholding agreement shall not be
5 6 entered into after June 30, 2010, unless it is an extension of
5 7 a previous agreement.

5 8 The two pilot project cities are the largest city located
5 9 in a county with a population of 95,000 to 110,000 and the
5 10 largest city located in a county with a population of 81,000
5 11 to 88,500.

5 12 LSB 5535HC 81

5 13 mg:rj/je/5